

**REPORT OF THE AUDIT OF THE  
GREENUP COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2015**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**GREENUP COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2015**

The Auditor of Public Accounts has completed the Greenup County Sheriff's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees increased by \$7,955 from the prior year, resulting in excess fees of \$92,159 as of December 31, 2015. Receipts increased by \$36,300 from the prior year and disbursements increased by \$28,345.

**Report Comments:**

- 2015-001 The Sheriff Has \$12,471 Of Disallowed Disbursements From The Special Enforcement Account And Did Not Have Adequate Controls Over The Account
- 2015-002 The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of \$17,453 As Recommended By The 2014 Audit
- 2015-003 The Sheriff Has \$218 Of Disallowed Disbursements From His 2015 Fee Account
- 2015-004 The Sheriff Did Not Personally Reimburse Disallowed Expenditures From 2014 In the Amount Of \$4,339
- 2015-005 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities
- 2015-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The sheriff's deposits were insured and collateralized by bank securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
The Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Sheriff of Greenup County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Robert Carpenter, Greenup County Judge/Executive  
The Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Greenup County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Greenup County Sheriff, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Greenup County Sheriff for the year ended December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the Greenup County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Robert Carpenter, Greenup County Judge/Executive  
The Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

**Other Reporting Required by *Government Auditing Standards* (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2015-001 The Sheriff Has \$12,471 Of Disallowed Disbursements From The Special Enforcement Account And Did Not Have Adequate Controls Over The Account
- 2015-002 The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of \$17,453 As Recommended By The 2014 Audit
- 2015-003 The Sheriff Has \$218 Of Disallowed Disbursements From His 2015 Fee Account
- 2015-004 The Sheriff Did Not Personally Reimburse Disallowed Expenditures From 2014 In the Amount Of \$4,339
- 2015-005 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities
- 2015-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal stroke extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 29, 2016

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	49,002
State Fees For Services:		
Finance and Administration Cabinet	\$	126,375
Sheriff Security Service		10,312
		136,687
Fiscal Court		60,000
Board of Education - School Resource Officer		20,251
County Clerk - Delinquent Taxes		86,738
Commission On Taxes Collected		756,405
Fees Collected For Services:		
Auto Inspections		9,705
Accident and Police Reports		733
Serving Papers		33,300
Carrying Concealed Deadly Weapon Permits		12,315
		56,053
Other:		
Add-On Fees		101,446
Telecommunication Commissions		8,180
Miscellaneous		28,130
		137,756
Interest Earned		215
Borrowed Money:		
State Advancement		315,000
Total Receipts		1,618,107

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
 KEITH COOPER, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2015  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 527,121
Other Salaries	141,853
Overtime	44,574

Employee Benefits-

Employer's Share Social Security	66,091
Employer Paid Health Insurance	33,707

Contracted Services-

Advertising	176
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Materials and Supplies-

Office Materials and Supplies	25,809
Uniforms	34,305
Computer	9,667
Radio	9,923

Auto Expense-

Gasoline	87,701
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Other Charges-

Conventions and Travel	14,338
Telephone	8,130
Postage	830
Bond	4,569
Miscellaneous	1,409
Professional Fees	4,500

Capital Outlay-

Vehicles	<u>97,939</u>	\$1,112,642
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Debt Service:

State Advancement	<u>315,000</u>
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Total Disbursements	\$1,427,642
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Less: Disallowed Disbursements	<u>218</u>
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Total Allowable Disbursements	1,427,424
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Net Receipts	\$ 190,683
Less: Statutory Maximum	<u>94,583</u>
Excess Fees	96,100
Less: Training Incentive Benefit	<u>3,941</u>
Excess Fees Due County for 2015	92,159
Payments to Fiscal Court - Various Dates	<u>91,941</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 218</u>

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the sheriff as determined by the audit. KRS 134.192 requires the sheriff to settle excess fees with the fiscal court at the time he files his annual settlement with the fiscal court on or before September 1 of each year. KRS 64.830 requires an outgoing sheriff to settle excess fees with the fiscal court of his county by March 15 immediately following the expiration of his term of office.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2015

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the sheriff's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2015  
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2015  
(Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn 10 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Greenup County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the sheriff's deposits may not be returned. The Greenup County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Enforcement Account

The sheriff maintains a separate account that is used for drug enforcement activities and is not included in the financial statement. This account is funded through written court orders. For 2015, the beginning balance was \$28,628. There was interest earned of \$21. Disbursements for the year total \$18,471, leaving an account balance of \$10,178 as of December 31, 2015.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Robert Carpenter, Greenup County Judge/Executive  
The Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Greenup County Sheriff for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated November 29, 2016. The Greenup County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Greenup County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Greenup County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001 and 2015-006 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005.

### **Sheriff's Responses to Findings**

The Greenup County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Greenup County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 29, 2016

## COMMENTS AND RECOMMENDATIONS



GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Sheriff Has \$12,471 Of Disallowed Disbursements From The Special Enforcement Account And Did Not Have Adequate Controls Over The Account

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The sheriff does not have adequate controls over the drug enforcement account. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account, which has resulted in \$12,471 of disallowed disbursements. The following problems were noted:

- The sheriff withdrew cash in the amount of \$12,300 from the drug enforcement account and did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check to an individual for \$171 without supporting documentation.
- The sheriff did not maintain receipts and disbursements ledgers for the drug enforcement account.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses.

We recommend the sheriff maintain copies of court cases, receipts, invoices, etc. applicable to each receipt and disbursement of the drug enforcement account, and maintain a receipts and disbursements ledger which makes reference to the source of the receipt (such as court case number and date), as well as documentation for any disbursement made out of the drug enforcement account. We recommend the sheriff improve controls over his drug enforcement account and ensure that all receipts and disbursements have proper documentation in the future. We further recommend the sheriff deposit personal funds in the amount of \$12,471 in the special enforcement account and ensure that deposits and disbursements are made properly in the future. This finding will be referred to the Kentucky Office of Attorney General for further review.

*Sheriff's Response: It is becoming more apparent every year that the Auditor's Office is going to repeat the same things every time they examine our records.*

*The primary problem is with the special enforcement account which has zero to do with what the Auditor's Office typically examines, and is completely separate from any taxpayer funds. It is 100% generated from money seized and forfeited by dopers and is used to fund undercover investigations.*

*The buys I make during these investigations are all in cash, and it is ludicrous to expect me to have receipts from these thugs. I will be killed on the spot.*

*I have explained this on numerous occasions. I will not explain it again.*

*I understand this is your job. I will continue to do mine.*

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2015-001 The Sheriff Has \$12,471 Of Disallowed Disbursements From The Special Enforcement Account And Did Not Have Adequate Controls Over The Account (Continued)

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Auditor Reply: Forfeiture funds become public funds upon being transferred to the sheriff's office. These funds are subject to the same requirements that apply to handling other public funds. The Auditor of Public Accounts is required to audit all accounts of all sheriffs annually pursuant to KRS 43.070(1)(a)(2). Because the use of forfeiture funds is restricted by statute to "direct law enforcement purposes," auditors must evaluate whether the funds were spent appropriately and in compliance with statute. When forfeiture funds are converted to cash, it is particularly important that the use of cash be properly documented and accounted for because cash presents the highest risk of misappropriation. We encourage the sheriff to contact his county attorney, the Department for Local Government and the Kentucky Sheriff's Association to help gain an understanding on how forfeiture funds are to be properly handled.

2015-002 The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of \$17,453 As Recommended By The 2014 Audit

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The sheriff did not personally reimburse the special enforcement account in the amount of \$17,453 as recommended by the 2014 audit. The sheriff did not maintain documentation to support receipts and disbursements of the drug enforcement account and did not deposit all drug forfeiture moneys, which resulted in \$17,453 of disallowed disbursements. The disallowed disbursements were the result of the following:

- On July 16, 2014, moneys seized by the sheriff in the amount of \$2,210 were forfeited to the sheriff's office by a court order. On November 17, 2014, funds seized by the sheriff totaling \$3,168 were forfeited to the sheriff's office as part of a plea agreement. There were no deposits made in the sheriff's drug forfeiture account for either of these cases. Based on inquiry of the sheriff, he used this cash for disbursements in other drug cases; however, there was no documentation to support how this cash was used.
- The sheriff withdrew cash in the amount of \$9,000 from the drug enforcement account and again did not maintain any documentation to support how this cash was used.
- The sheriff wrote a check to a car dealership for \$3,000 and to an individual for \$75 without supporting documentation.

KRS 218A.420(4)(a) requires drug funds forfeited to the sheriff's office to be used for "direct law enforcement purposes." Also, KRS 134.160 requires the sheriff to keep an accurate account and maintain support of all moneys received and disbursed from his office. Without maintaining supporting documentation, there is no way to determine if these disbursements and cash payments were for law enforcement purposes and not used for personal expenses. We recommend the sheriff deposit personal funds in the amount of \$17,453 in the special enforcement account.



GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2015-002 The Sheriff Did Not Personally Reimburse The Special Enforcement Account In The Amount Of \$17,453 As Recommended By The 2014 Audit (Continued)

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*Sheriff's Response: It is becoming more apparent every year that the Auditor's Office is going to repeat the same things every time they examine our records.*

*The primary problem is with the special enforcement account which has zero to do with what the Auditor's Office typically examines, and is completely separate from any taxpayer funds. It is 100% generated from money seized and forfeited by dopers and is used to fund undercover investigations.*

*The buys I make during these investigations are all in cash, and it is ludicrous to expect me to have receipts from these thugs. I will be killed on the spot.*

*I have explained this on numerous occasions. I will not explain it again.*

*I understand this is your job. I will continue to do mine.*

Auditor Reply: Forfeiture funds become public funds upon being transferred to the sheriff's office. These funds are subject to the same requirements that apply to handling other public funds. The Auditor of Public Accounts is required to audit all accounts of all sheriffs annually pursuant to KRS 43.070(1)(a)(2). Because the use of forfeiture funds is restricted by statute to "direct law enforcement purposes," auditors must evaluate whether the funds were spent appropriately and in compliance with statute. When forfeiture funds are converted to cash, it is particularly important that the use of cash be properly documented and accounted for because cash presents the highest risk of misappropriation. We encourage the sheriff to contact his county attorney, the Department for Local Government and the Kentucky Sheriff's Association to help gain an understanding on how forfeiture funds are to be properly handled.

2015-003 The Sheriff Has \$218 Of Disallowed Disbursements From His 2015 Fee Account

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The sheriff spent \$218 from his 2015 fee account for items that are disallowed. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. The sheriff paid \$218 to a satellite radio company which is not a necessary disbursement of the office. By having disallowed disbursements, excess fees paid to the county were reduced. We recommend the sheriff personally reimburse the 2015 fee account in the amount of \$218 which should then be paid to the county as additional excess fees for 2015.

*Sheriff's Response: NO Needed for weather, etc.*

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2015-004 The Sheriff Did Not Personally Reimburse Disallowed Expenditures From 2014 In the Amount Of \$4,339

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As reported in the 2014 audit, the sheriff spent \$4,339 from his 2014 fee account that were disallowed. In Funk v. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. The sheriff spent \$114 on newspaper advertisements that were not necessary disbursements to the office. Also, the sheriff did not maintain documentation of \$4,225 of credit card purchases for hotel stays and online purchases. Without supporting documentation, auditors were unable to determine if purchases were for necessary disbursements of the sheriff's office. We recommend the sheriff personally reimburse the 2014 fee account in the amount of \$4,339 for these disallowed disbursements.

*Sheriff's Response:* NO

2015-005 The Sheriff Did Not File A Listing Of Property Seized With The Proper Authorities

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The sheriff did not submit a listing of property seized with the appropriate authorities. KRS 218A.440(1) requires each law enforcement agency seizing money or property pursuant to KRS 218A.415, at the close of each fiscal year, to file a statement with the Auditor of Public Accounts and with the Secretary of the Justice and Public Safety Cabinet containing a detailed listing of all money and property seized in that fiscal year and the disposition thereof. The listing must identify all property seized. The sheriff failed to prepare a listing of seized property. As a result, the sheriff may be liable to the state for the full value of all property and money seized, as stated in KRS 218A.440(2). We recommend the sheriff comply with this statute in the future.

*Sheriff's Response:* NO

2015-006 The Sheriff's Office Lacks Adequate Segregation Of Duties

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The sheriff's office lacks adequate segregation of duties. The sheriff's bookkeeper collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts ledger, posts checks to the disbursements ledger, and prepares monthly and quarterly reports. The sheriff or another employee did not document oversight of any of these activities. Lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. This condition is the result of a limited budget, which restricts the number of employees the sheriff can hire or delegate duties to. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts and disbursements, and preparing monthly reports, or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The sheriff should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, due to a limited budget, cross checking procedures could be implemented and documented by the individual performing the procedure.

*Sheriff's Response:* O.K.

